

Malayan Banking (MAY MK)

1Q26: Impacted By Forex And Weak NOII

Highlights

- Maybank reported 1Q26 net profit that marginally missed expectations comprising 23% of our full-year estimate. Pre-provision operating profit contracted both yoy and qoq.
- Positively, group NIM improved 5bp qoq to 2.14%, driven by better asset-liability management.
- Maintain HOLD with a lower target price of RM11.58 (1.27x 2027F P/B, ROE: 11.2%), from RM12.30 after earnings revision. The stock is currently trading at historical mean P/B which we deem as fair given the limited scope to raise dividend payouts further in the near term in our view.

1Q26 Results

Year to 31 Dec (RMm)	1Q26 (RMm)	1Q25 (RMm)	yoy % chg	4Q25 (RMm)	qoq % chg
Net Interest Income	3,269.1	3,222.2	1.5	3,494.3	(6.4)
Islamic Banking	2,185.2	2,064.4	5.9	2,285.7	(4.4)
Fees & Commissions	1,021.7	939.1	8.8	1,029.4	(0.7)
Net insurance income	533.0	325.7	63.6	243.7	118.7
Net trading income	(197.1)	85.4	n.a.	(7.9)	n.a.
Other Operating Income	287.6	1,075.4	(73.3)	474.1	(39.3)
Total Income	7,099.5	7,712.2	(7.9)	7,519.2	(5.6)
Operating Expenses	(3,545.5)	(3,747.9)	(5.3)	(3,658.3)	(3.1)
PPOP	3,554.0	3,969.2	(10.5)	3,860.8	(7.9)
Provisions	(484.7)	(384.2)	26.2	(9.0)	n.a.
Writeback/(Impairment)	279.0	(42.2)	n.a.	(216.9)	n.a.
Associate	(57.8)	51.3	n.a.	86.9	n.a.
PBT	3,290.5	3,594.2	(8.4)	3,721.8	(11.6)
Net Profit	2,480.7	2,588.9	(4.2)	2,675.7	(7.3)
EPS (sen)	22.0	23.0	(4.2)	23.8	(7.3)
DPS (sen)	0.0	0.0	n.a.!	33.0	n.a.
Financial Ratios (%)	1Q26 %	1Q25 %	yoy +/- ppt	4Q25 %	qoq +/- ppt
Loan Growth, yoy	(0.4)	1.6	(1.0)	0.7	(1.1)
Loan/Deposit Ratio	98.1	93.0	4.8	97.0	1.2
Cost/Income Ratio	49.9	49.7	1.4	48.7	1.3
ROE	10.8	11.0	(0.3)	11.5	(0.7)
Gross Impairment Loan Ratio	1.3	1.2	0.1	1.3	0.1
Credit Costs (bp)	10.0	24.0	(14.0)	8.0	2.0

Source: Maybank, UOB Kay Hian

Analysis

- **Below.** Malayan Banking (Maybank) reported 1Q26 net profit of RM2.48b (-4.2% yoy, -7.1% qoq). Although 1Q26 net profit accounted for 23% of our full-year forecast, we deem the performance to be below expectations due to expected sequential NIM compression from 1Q26 exit levels. The earnings miss was primarily driven by adverse currency translation headwinds on the loan book, which consequently dragged net interest income (NII), coupled with ongoing volatility in trading and forex income. 1Q26 pre-provision operating profit was weak, contracting 11% yoy and 8% qoq.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net interest income	12,807	13,157	12,818	13,506	14,279
Non-interest income	8,419	8,569	8,922	9,326	9,611
Net profit (rep./act.)	10,089	10,514	10,669	11,090	11,743
Net profit (adj.)	10,089	10,514	10,669	11,090	11,743
EPS (sen)	89.7	93.5	97.8	99.9	103.9
PE (x)	11.7	11.2	10.7	10.5	10.1
P/B (x)	1.3	1.3	1.2	1.2	1.1
Dividend yield (%)	5.8	6.0	6.3	6.6	7.0
Net int margin (%)	2.17	2.20	2.20	2.21	2.22
Cost/income (%)	48.9	48.8	50.4	50.4	50.7
Loan loss cover (%)	122.4	98.3	124.0	129.9	131.2
Consensus net profit	-	-	11,022	11,522	12,110
UOBKH/Consensus (x)	-	-	0.97	0.96	0.97

Source: Maybank, Bloomberg, UOB Kay Hian

HOLD (Maintained)

Share Price	RM10.50
Target Price	RM11.58
Upside	+10.2%
Previous TP	RM12.30

Analyst(s)

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Stock Data

GICS Sector	Financials
Bloomberg ticker	MAY MK
Shares issued (m)	12,095.3
Market cap (RMm)	127,000.9
Market cap (US\$m)	31,964.4
3-mth avg daily t'over (US\$m)	50.4

Price Performance (%)

52-week high/low		RM12.42/RM9.39		
1mth	3mth	6mth	1yr	YTD
(6.4)	(12.2)	6.0	6.7	0.2

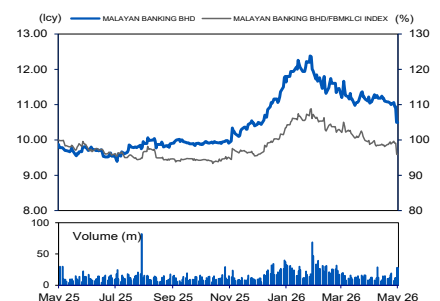
Major Shareholders

	%
Amanah Saham Nasional	33.7
Employees Provident Fund Board	12.7
Yayasan Perlaburan Bumiputra	6.4

Balance Sheet Metrics

FY26F NAV/Share (RM)	8.64
FY26F CAR Tier -1 (%)	16.0

Price Chart



Source: Bloomberg

Company Description

The largest banking group in Malaysia in terms of asset size. Maybank also has sizeable exposure to foreign markets, with foreign loans, mainly in Singapore and Indonesia, making up 33% of its loan base

- 1Q26 yoy trend.** 1Q26 net profit fell 4% yoy, as severe top-line pressure was partially mitigated by write-backs in impairments on securities and disciplined opex. Total income contracted 8% yoy, dragged by a sharp 28% yoy plunge in non-interest income (NOII) due to weaker trading and forex performance. However, this revenue decline was cushioned on a yoy basis by lower net impairments, driven by write-backs on securities, alongside reduced opex.
- 1Q26 qoq trend.** Sequentially, earnings declined 7% qoq on the back of group loan contraction and continued NOII softness, though the downside was partially offset by a 5bp qoq NIM expansion stemming from effective liability management, which saw high-cost fixed deposits decline 4% qoq while CASA remained stable.
- NIM recovered.** Group NIM expanded 5bp qoq to 2.14% in 1Q26, driven by effective asset-liability management and a 1.1ppt qoq optimisation of the loan-to-deposit ratio to 94.9%. While management guides for stable to 5bp NIM expansion for 2026, the 1Q26 exit NIM of 2.14% implies potential sequential downside in the remaining quarters should full-year NIM land within management's 2.05-2.10% target range. Consequently, we maintain our conservative, flatish full-year NIM assumption for 2026.
- Loans trend impacted by currency translation effect and weaker overseas loans trend. Overall group loans contracted 0.3% qoq (-1.2% annualised) in 1Q26, dragged by negative forex translation and underlying loan weakness across key regional markets.** On a constant-currency basis, loan growth softened in Singapore (-0.5% qoq) and Indonesia (-1.5% qoq). This sequential decline was, however, partially offset by resilient loan expansion in Malaysia, which grew a stable 0.9% qoq. That said, management is retaining its overall 2026 group loans growth guidance of 4-5% based on a constant currency basis (vs 1Q26 yoy growth of 3.6% on a constant currency basis).
- Asset quality experienced slight deterioration.** Absolute gross impaired loans (GIL) rose 4.5% qoq, driving the GIL ratio up 6bp qoq to 1.34% in 1Q26. The uptick stemmed from retail SME and selected corporate accounts in Malaysia and Indonesia, alongside certain Indonesian consumer segments. However, management remains sanguine given the group's robust provision buffers of RM2.4b in existing overlays (up from RM2.3b in 4Q25), which keep the loan loss coverage ratio at a relatively healthy 104% — above the sector average of 85% and Maybank's pre-COVID-19 levels of 80%. As such, net credit cost guidance has been retained at 20bp for 2026.
- Limited scope to raise dividend payouts meaningfully.** Given Maybank's relatively high prevailing dividend payout ratio of 72% in 2025 vs the peer average of 55%, we see limited headroom for capital management upside to surprise the market moving forward. More importantly, management now guides for a net negative impact on its CET1 ratios (currently 14.1%) from the adoption of Basel 3. This coupled with its already high dividend payout ratio could imply limited scope for near- to medium-term capital management upside surprise.
- 2026 targets.** Management's key 2026 guidance is: a) ROE: over 11.8%, b) loans growth: 4-5% (constant currency), c) net credit cost: 20bp, d) NIM: Stable to +5bp, and e) cost-to-income ratio of equal/less than 49%.

Valuation/Recommendation

- Maintain HOLD with a lower target price of RM11.58 (1.27x 2027F P/B, ROE: 11.2%),** from RM12.30, after earnings revision. Given Maybank's limited near-term scope to raise its dividend payout, we prefer CIMB, which has displayed stronger sequential 1Q26 underlying earnings growth, more stable asset quality, and greater headroom to increase dividends. That said, given Maybank's already depressed share price and attractive dividend yield in excess of 6%, we view the stock's current risk-to-reward profile as balanced.

Earnings Revision/Risk

- Trim earnings.** Factoring in weaker non-interest income and higher credit cost forecasts, we trim our 2026-28 earnings forecasts by 4-5%.

Share Price Catalyst

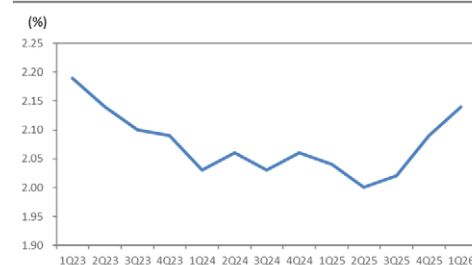
- Stronger-than-expected wealth management income.
- Stronger-than-expected NIM trend.

Key Assumptions

(%)	2026F	2027F	2028F
Loan Growth	5.0	5.0	5.5
Credit Cost (bp)	20.0	20.0	20.0
ROE	11.0	11.2	11.6

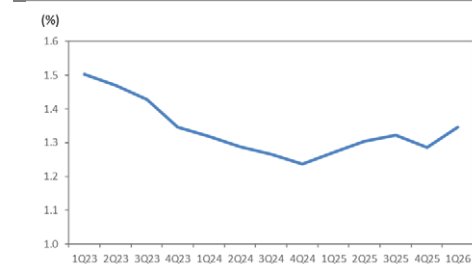
Source: Maybank

NIM Trend



Source: Maybank

GIL Ratio Trend



Source: Maybank

Environmental, Social, Governance (Esg) Updates

Environmental

- Green loan commitment. To provide RM50b in sustainable financing by 2025.
- Zero new coal financing. Transition all stakeholders to zero carbon emission by 2050.

Social

- Board and upper management gender diversity. Maintained 25% female directors on the Board and 40% females in senior management.
- Enhanced financial inclusion to B40. Provide greater financial inclusion for vulnerable communities (affordable housing financing) and welfare assistance to vulnerable communities, especially the B40 consumers.

Governance

- Composition of independent directors. Composition of Independent Directors (INED) – 75%.

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Interest income	29,351	29,496	31,040	32,754
Interest expense	(16,194)	(16,678)	(17,534)	(18,475)
Net interest income	13,157	12,818	13,506	14,279
Fees & commissions	3,995	4,195	4,446	4,580
Other income	4,574	4,727	4,880	5,031
Non-interest income	8,569	8,922	9,326	9,611
Income from islamic banking	8,653	9,432	9,998	10,598
Total income	30,380	31,172	32,830	34,487
Staff costs	(8,734)	(9,433)	(9,999)	(10,599)
Other operating expense	(6,105)	(6,291)	(6,536)	(6,873)
Pre-provision profit	15,540	15,448	16,294	17,016
Loan loss provision	(562)	(1,440)	(1,519)	(1,603)
Other provisions	(919)	0	0	0
Associated companies	274	291	308	327
Other non-operating income	0	0	0	0
Pre-tax profit	14,334	14,299	15,084	15,740
Tax	(3,502)	(3,335)	(3,686)	(3,670)
Minorities	(317)	(296)	(308)	(326)
Net profit	10,514	10,669	11,090	11,743
Net profit (adj.)	10,514	10,669	11,090	11,743

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Cash with central bank	11,959	7,199	7,595	8,013
Govt treasury bills & securities	52,572	53,623	54,696	55,790
Interbank loans	14,030	14,171	14,312	14,456
Customer loans	676,981	708,576	747,505	788,527
Investment securities	204,151	218,349	233,518	249,725
Derivative receivables	17,640	17,640	17,640	17,640
Associates & JVs	1,832	1,832	1,832	1,832
Fixed assets (incl. prop.)	4,382	4,601	4,832	5,073
Other assets	70,035	74,623	79,686	85,287
Total assets	1,053,584	1,100,615	1,161,616	1,226,342
Interbank deposits	42,587	43,865	45,181	46,536
Customer deposits	730,993	767,543	809,758	854,294
Derivative payables	24,536	24,536	24,536	24,536
Debt equivalents	16,030	16,030	16,030	16,030
Other liabilities	142,595	147,741	161,014	175,428
Total liabilities	956,742	999,715	1,056,518	1,116,825
Shareholders' funds	93,445	97,206	101,096	105,190
Minority interest - accumulated	3,397	3,694	4,002	4,328
Total equity & liabilities	1,053,584	1,100,615	1,161,617	1,226,343

Operating Ratios

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Capital Adequacy				
Tier-1 CAR	16.4	16.0	15.7	15.5
Total CAR	20.0	21.3	20.9	20.5
Total assets/equity (x)	11.2	11.3	11.4	11.6
Tangible assets/tangible common equity (x)	12.0	12.0	12.2	12.4
Asset Quality				
NPL ratio	1.3	1.3	1.2	1.2
Loan loss coverage	98.3	124.0	129.9	131.2
Loan loss reserve/gross loans	1.6	1.6	1.6	1.6
Increase in NPLs	5.8	3.9	1.0	5.2
Credit cost (bp)	8.2	20.0	20.0	20.0
Liquidity				
Loan/deposit ratio	92.6	92.3	92.3	92.3
Liquid assets/short-term liabilities	10.1	9.2	8.9	8.7
Liquid assets/total assets	7.5	6.8	6.6	6.4

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Growth				
Net interest income, yoy chg	2.7	(2.6)	5.4	5.7
Fees & commissions, yoy chg	4.3	5.0	6.0	3.0
Pre-provision profit, yoy chg	2.8	(0.6)	5.5	4.4
Net profit, yoy chg	4.2	1.5	4.0	5.9
Net profit (adj.), yoy chg	0.0	0.0	0.0	0.0
Customer loans, yoy chg	2.1	4.7	5.5	5.5
Customer deposits, yoy chg	(1.5)	5.0	5.5	5.5
Profitability				
Net interest margin	2.20	2.20	2.21	2.22
Cost/income ratio	48.8	50.4	50.4	50.7
Adjusted ROA	1.0	1.0	1.0	1.0
Reported ROE	11.3	11.0	11.2	11.6
Adjusted ROE	11.3	11.0	11.2	11.6
Valuation				
P/BV (x)	1.3	1.2	1.2	1.1
P/NTA (x)	1.4	1.3	1.2	1.2
Adjusted P/E (x)	11.2	10.7	10.5	10.1
Dividend Yield	6.0	6.3	6.6	7.0
Payout ratio	67.4	67.9	69.1	70.4

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